



DONELAN CLEARY
WOOD & MASER, P.C.

October 21, 1999

Recordation No. 21523-A

RECORDATION NO. 21523-A

FILED

OCT 21 '99

11-00AM

Dear Mr. Williams:

On behalf of BankBoston, N.A., I submit for filing and recording under 49 U.S.C. § 11301 (a) and the regulations applicable thereunder, executed counterparts of a secondary document, not previously recorded, entitled Amended and Restated Security Agreement, ("Amendment") dated as of October 21, 1999.

The parties to the enclosed Amendment are:

Alabama & Gulf Coast Railway LLC - BORROWERS/MORTGAGORS
Kiamichi Railroad Company L.L.C.
StatesRail Equipment Company LLC
Suite 280
7577 Rambler Road
Dallas, TX 75231

BankBoston, N.A. - LENDER/MORTGAGEE
100 Federal Street
Boston, MA 02110

The said Amendment, among other things, acts to encumber all property of Borrowers now owned or hereafter acquired.

The equipment covered by the instant Amendment is all of Borrowers rolling stock and locomotives of every kind and description, now owned or hereafter acquired.

A short summary of the Amendment to appear in the Surface Transportation Board Index is as follows:

"Covers all equipment now owned or hereafter acquired."

PLEASE NOTE, index separately the two additional Borrowers added by this filing in the Mortgagor side (yellow pages) of the STB Index, namely:

1. Index in yellow pages under Kiamichi Railroad Company L.L.C. saying "See Recordation No. 21523-A."

ATTORNEYS AND COUNSELORS AT LAW

1100 New York Avenue, N.W., Suite 750, Washington, D.C. 20005-3934, Tel: 202-371-9500, Fax: 202-371-0900

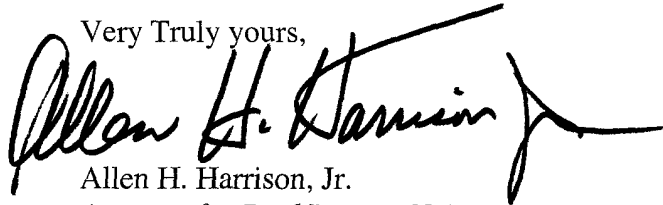
#6651

2. Index in yellow pages under StatesRail Equipment Company LLC saying "See Recordation No. 21523-A."

Enclosed is a check in the amount of twenty-six (\$26.00) in payment of the filing fee.

Once the filing has been made, please return to bearer the stamped counterpart(s) of the document not required for filing purposes, together with the letter/fee receipt from the Surface Transportation Board acknowledging the filing, and the two extra copies of this letter of transmittal.

Very Truly yours,

A handwritten signature in black ink, appearing to read "Allen H. Harrison, Jr.", with a long horizontal flourish extending to the right.

Allen H. Harrison, Jr.
*Attorney for BankBoston, N.A.,
for the purpose of this filing.*

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

BY HAND

8308-020

OCT 21 '99

11-00AM

AMENDED AND RESTATED SECURITY AGREEMENT

This **AMENDED AND RESTATED SECURITY AGREEMENT** (this "Agreement"), dated as of October 21, 1999 is by and among **ALABAMA & GULF COAST RAILWAY LLC**, a Delaware limited liability company having its principal place of business at 7557 Rambler Road, Suite 280, Dallas, Texas 75231 ("AGC"), **KIAMICHI RAILROAD COMPANY L.L.C.**, a Delaware limited liability company having its principal place of business at 7557 Rambler Road, Suite 280, Dallas, Texas 75231 ("KIAMICHI") and **STATESRAIL EQUIPMENT COMPANY LLC**, a Delaware limited liability company having its principal place of business at 7557 Rambler Road, Suite 280, Dallas, Texas 75231 ("SEC" and, together with AGC and KIAMICHI, the "Borrowers") and **BANKBOSTON, N.A.**, a national banking association, having its principal place of business at 100 Federal Street, Boston, Massachusetts 02110 (the "Lender"), as parties to that certain Amended and Restated Credit Agreement, of even date herewith, among the Borrowers and the Lender, as the same may be amended, restated, modified or supplemented from time to time (such agreement, as in effect from time to time, the "Credit Agreement"). Capitalized terms which are used herein without definition and which are defined in the Credit Agreement shall have the same meanings herein as in the Credit Agreement.

WHEREAS, KIAMICHI and the Lender are parties to an Amended and Restated Revolving Credit Agreement dated as of October 3, 1995 (as amended to date, the "KIAMICHI Agreement"), and AGC and the Lender are parties to a Credit Agreement dated as of July 22, 1998 (the "AGC Agreement");

WHEREAS, pursuant to the Credit Agreement, the parties have agreed to terminate the KIAMICHI Agreement and to amend and restate the AGC Agreement to, among other things, add KIAMICHI and SEC as Borrowers thereunder, as joint and several obligors, and to increase the amount of Revolving Loans that, subject to the conditions contained therein, shall be available to the Borrowers thereunder;

WHEREAS, pursuant to the Credit Agreement, the Lender has made loans to the Borrowers for the purposes described therein; and

WHEREAS, in connection with the AGC Agreement, AGC and the Lender entered into a Security Agreement dated as of July 22, 1998 and recorded with the STB on July 23, 1998 under Recordation No. 21523, and it is a condition precedent under the Credit Agreement to the making of any Revolving Loans by the Lender that the Borrowers execute and deliver to the Lender an amended and restated security agreement amending and restating the aforesaid Security Agreement in substantially the form hereof; and

WHEREAS, each of the Borrowers wishes to provide collateral security to secure the payment and performance of all of the Obligations thereof.

NOW THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, each of the Borrowers and the Lender hereby agree as follows:

1. Grant of Security Interest. To secure the due and prompt payment and performance of the Obligations (as defined below), each of the Borrowers hereby pledges, assigns and grants to the Lender a continuing security interest in and lien on all properties, assets and rights of each of the Borrowers of every kind and nature, wherever located, now owned or hereafter acquired or arising, and all proceeds and products thereof, including, without limiting the generality of the foregoing, all goods, accounts, including all accounts receivable, contract rights, including, without limitation, all rights of each of the Borrowers under any Interest Rate Protection Products, all rights of each of the Borrowers under leases of equipment and other personal property, and all rights of each of the Borrowers under any agreements with operating railroads pursuant to which rights of passage over tracks are granted during periods of emergency and disasters, rights to the payment of money including tax refund claims, insurance proceeds and tort claims, chattel paper, documents, instruments, general intangibles, each of the Borrowers' operating certificate from the STB (if any), investment property, securities, together with all income therefrom, increases thereunder and proceeds thereof, patents, trademarks, tradenames, copyrights, engineering drawings, service marks, customer lists, books and records, furniture, fixtures, rolling stock of every kind and description, locomotives, rail, ties and capital improvements thereon, equipment, maintenance of way equipment, inventory and all other capital assets, raw materials and work in progress (all such properties, assets and rights hereinafter sometimes called, collectively, the "Collateral"); *provided, however*, the grant of a security interest under this Agreement shall not apply to any contract right or general intangible which by its terms prohibits or restricts a grant by a Borrower of a security interest therein (collectively, "Restricted Collateral") to the extent the grant by such Borrower of a security interest pursuant to this Agreement in its rights in respect of such Restricted Collateral is prohibited or restricted by such Restricted Collateral and the consent of applicable Persons has not been obtained; *provided, further*, that the foregoing limitations shall not affect, limit, restrict or impair the grant by each of the Borrowers of a security interest pursuant to this Security Agreement in any account or any money or other amounts due or to become due under any such Restricted Collateral, to the extent provided for in Section 9-318 of the Uniform Commercial Code in effect in the Commonwealth of Massachusetts on the date hereof.

2. Obligations Secured. The Collateral hereunder constitutes and will constitute continuing security for all of the indebtedness, obligations and liabilities of each of the Borrowers to the Lender and any institutional lender who becomes a participant in or holder of any of the obligations comprising the Obligations (as defined below) under the Credit Agreement, the Revolving Notes, the other Loan Documents and any documents evidencing Interest Rate Protection Products purchased by each of the Borrowers pursuant to the Credit Agreement, in each case as such instrument is originally executed on the date hereof or as modified, amended, restated, supplemented or extended hereafter, whether such Obligations are now existing or hereafter arising, joint or several, direct or indirect, absolute or contingent, due or to become due, matured or unmatured, liquidated or unliquidated, arising by contract, operation of law or otherwise, and all Obligations of the Borrowers to the Lender arising out of any extension, refinancing or refunding of any of the foregoing Obligations (collectively, the "Obligations").

3. Pro Rata Security; Application of Proceeds of Collateral. All amounts owing with respect to the Obligations shall be secured *pro rata* by the Collateral without distinction as to whether some Obligations are then due and payable and other Obligations are not then due and

payable. Upon any realization upon the Collateral by the Lender, whether by receipt of insurance proceeds pursuant to Section 4(g) hereof or upon foreclosure and sale of all or part of the Collateral pursuant to Section 8 hereof or otherwise, each of the Borrowers agrees that the proceeds thereof shall be applied (a) *first*, to the payment of expenses incurred with respect to maintenance and protection of the Collateral pursuant to Section 4(i) hereof and of expenses incurred pursuant to Section 12 hereof with respect to the sale of or realization upon any of the Collateral or the perfection, enforcement or protection of the rights of the Lender (including reasonable attorneys' fees and expenses of every kind, including without limitation reasonable allocated costs of staff counsel); (b) *second*, to all amounts of interest, expenses and fees outstanding which constitute the Obligations; (c) *third*, to all amounts of principal outstanding under the Obligations; and (d) *fourth*, the balance, if any, shall be returned to the applicable Borrower or such other Person entitled thereto. Each of the Borrowers agrees that all amounts received with respect to any of the Obligations, whether by realization on the Collateral or otherwise, shall be applied to the payment of the Obligations in accordance with the provisions of this Section 3.

4. Representations and Covenants of Each of the Borrowers.

(a) Real Property. Each of the Borrowers represents to the Lender that the real property listed and described on Schedule 4(a) hereto constitutes all interests of such Borrower in any real property, including without limitation by virtue of ownership or lease thereof, or easement thereon. Each of the Borrowers agrees to notify the Lender of any other real property in which such Borrower may hereafter acquire any interest.

(b) SEC Assets. The only assets of SEC that constitute "goods" under the UCC are goods that are either "mobile goods" under Section 9-103(3)(a) of the UCC or rolling stock covered by the ICA (as defined in paragraph (j) below).

(c) Patents, Trademarks, Copyrights. Each of the Borrowers represents to the Lender that as of the date hereof, except as set forth on Schedule 4(c) hereto, it has no right, title or interest in any patent, trademark registrations, copyright registrations or service mark registrations, or in any pending applications for the same and agrees promptly to furnish to the Lender written notice of each such patent, trademark, copyright or service mark registrations, or any applications for same, in which it may hereafter acquire any right, title or interest. Each of the Borrowers shall, on request by the Lender execute, acknowledge and deliver all such documents and instruments as the Lender may reasonably require to confirm the Lender's security interest in and to any such patent, trademark or service mark registrations, or application for the same as part of the Collateral hereunder.

(d) Location of Chief Executive Office and Principal Place of Business. Each of the Borrowers represents to the Lender that the location of its chief executive office and the principal place of its business and the location where the books and records of such Borrower are kept is set forth on Schedule 4(d). Each of the Borrowers further represents that attached hereto as Schedule 4(d) is a true and correct list of all localities where property comprising a part of the Collateral (other than interests in real property set forth in Schedule 4(a) hereto) is located. Each of the Borrowers agrees that it shall not change the location of its chief executive office or the location where its books and records are kept or the location of any property comprising a part of

the Collateral other than changes in the location of rolling stock unless it shall have (i) given the Lender at least 30 days' advance written notice of such change, and (ii) filed in all necessary jurisdictions such UCC-1 or UCC-3 financing statements or other documents as may be necessary to continue without impairment or interruption the perfection and priority of the Liens on the Collateral in favor of the Lender pursuant to the Loan Documents.

(e) Motor Vehicles. Each of the Borrowers represents and warrants to the Lender and covenants with the Lender that all Collateral consisting of motor vehicles of such Borrower are listed on Schedule 4(e) attached hereto, and that such Collateral is titled or registered in the jurisdictions located in the United States of America listed on Schedule 4(e) and will remain titled or registered in such jurisdictions. The Lender acknowledges that delivery of certificates of title to the Lender with respect to such motor vehicles has not been required as of the Closing Date. However, the Lender reserves its rights, upon notice to the Borrowers, to require such delivery at a later date.

(f) Ownership of Collateral.

(i) Each of the Borrowers represents that it is the owner of the Collateral free from any adverse lien, security interest or encumbrance, except as permitted by Section 7.3 of the Credit Agreement.

(ii) Except for the security interest herein granted and except as permitted by Section 7.3 of the Credit Agreement, a Borrower shall be the owner of the Collateral free of any lien, security interest or encumbrance, and such Borrower shall defend the same against all claims and demands of all persons at any time claiming the same or any interest therein adverse to the Lender. Except as permitted by Section 7.3 of the Credit Agreement, no Borrower shall pledge, mortgage or create or suffer to exist a security interest in the Collateral in favor of any person other than the Lender.

(g) Sale or Disposition of Collateral. Except as permitted by Section 7.6 of the Credit Agreement, no Borrower shall sell or offer to sell or otherwise transfer the Collateral or any interest therein.

(h) Insurance. Each of the Borrowers shall have and maintain at all times with respect to the Collateral such insurance as is required by the Credit Agreement, such insurance to be payable to the Lender and to such Borrower as their interests may appear, and all such property insurance to name the Lender as loss payee. All policies of insurance shall provide for 30 days' written minimum cancellation notice to the Lender. In the event of the failure of any Borrower to provide and maintain insurance as herein provided, the Lender may, at its option and upon written notice to such Borrower, provide such insurance, and each of the Borrowers hereby promises to pay to the Lender on demand the amount of any disbursements made by the Lender for such purpose. Each of the Borrowers shall furnish to the Lender certificates or other evidence satisfactory to the Lender of compliance with the foregoing insurance provisions. After the occurrence and during the continuance of an Event of Default or if any Borrower fails to obtain or maintain insurance as required by the Credit Agreement, the Lender may act as attorney for such Borrower in obtaining, adjusting, settling and canceling such insurance and endorsing any drafts; and any amounts collected or received under any such

policies after the occurrence and during the continuation of an Event of Default shall be applied by the Lender to the Obligations in accordance with the provisions of Section 3 hereof or, at the option of the Lender, the same may be released to such Borrower, but such application or release shall not cure or waive any default hereunder and no amount so released shall be deemed a payment on any Obligation secured hereby.

(i) Maintenance of Collateral. Each of the Borrowers shall keep the Collateral in good order and repair and shall not use the Collateral in violation of law or any policy of insurance thereon. In order to confirm the compliance of each of the Borrowers with the requirements of the preceding sentence or in the event the Lender deems itself insecure regarding the condition of the Collateral the Lender may, at any reasonable time, upon written notice to such Borrower inspect the Collateral, wherever located during normal business hours. Each of the Borrowers shall pay promptly when due all taxes and assessments upon the Collateral, upon the use and operation of the Collateral and upon this Agreement, except those taxes and assessment as are being in good faith appropriately contested by a Borrower and for which adequate reserves have been established. In its discretion, after the occurrence and during the continuance of an Event of Default, or if any Borrower fails to discharge delinquent unpaid taxes or encumbrances or pay filing fees, the Lender may make repairs of the Collateral, discharge taxes and other encumbrances at any time levied or placed on the Collateral which remain unpaid in violation of Section 6.6 of the Credit Agreement and pay any necessary filing fees. Each of the Borrowers agrees to reimburse the Lender on demand for any and all expenditures so made and, until paid, the amount thereof shall be an Obligation secured by the Collateral. The Lender shall have no obligation to any Borrower to make any such expenditures, nor shall the making thereof relieve any Borrower of any default.

(j) Creation and Perfection of Lien. Each of the Borrowers represents and warrants to the Lender and covenants with the Lender that this Agreement creates a valid security interest in the Collateral as security for the payment and performance of the Obligations. Upon the filing and recording of this Agreement with the STB in accordance with §11303 of Title 49 of the United States Code and the rules and regulations thereunder, and upon the filing of UCC-1 financing statements in the form attached hereto as Exhibit A (the "Financing Statements") under the Uniform Commercial Code as the same may be in effect from time to time in the States of Alabama, Florida, Texas, Oklahoma and Arkansas (the "UCC"), naming a Borrower as debtor and the Lender as secured party, such security interest shall be perfected under the UCC and the Interstate Commerce Act of 1887, as amended ("ICA"), and such security interest shall be prior to all other Liens, except as contemplated by Section 7.3 of the Credit Agreement. No further filings, recordings or other actions are or will be necessary to maintain the priority of such security interest other than the filing of UCC continuation statements within six months prior to the expiration of a period of five years after the original filing. This Agreement and all documents to be filed herewith are in appropriate form for filing with the STB. The Financing Statements are in appropriate form and have been duly filed pursuant to the UCC.

(k) No Further Actions. Except for the filings referred to in paragraph (j) above and as otherwise specified in Section 5.15 of the Credit Agreement, no authorization, approval or other action by, and no notice of filing with, any governmental authority or regulatory body or other Person that has not been received, taken or made is required (i) for the

granting by any of the Borrowers of the security interest granted hereby or for the execution, delivery or performance of this Agreement by any of the Borrowers, (ii) for the maintenance of the security interest hereunder (including the first priority nature of such security interest), or (iii) for the exercise by the Lender of the rights or the remedies with respect to the Collateral pursuant to this Agreement.

(l) Accounts Receivable. Each of the Borrowers shall keep or cause to be kept separate records of accounts receivable, which such records shall be complete and accurate in all material respects and, from time to time upon the request of the Lender, shall deliver to the Lender with respect to each account receivable lists setting forth the name, address, face value, and date of invoice of each debtor obligated on such account receivable.

(m) Government Contracts. Each of the Borrowers agrees that from time to time at the Lender's request, it shall execute all such documents, and take all such actions, as the Lender may reasonably deem necessary or proper to perfect the Lender's security interest in any Collateral consisting of such Borrower's rights to monies due or to become due under any contracts or agreements with or orders from the United States government or any agency or department thereof.

(n) Securities. Each of the Borrowers agrees that it shall forthwith deliver and pledge to the Lender hereunder all certificates representing securities which such Borrower shall acquire, whether by purchase, stock dividend, distribution of capital or otherwise, along with stock powers or other appropriate instruments of assignment with respect thereto, duly executed in blank.

(o) Further Assurances By Each of the Borrowers. Each of the Borrowers agrees to execute and deliver to the Lender from time to time at its reasonable request all documents and instruments, including financing statements, supplemental security agreements, notices of assignments under the United States Assignment of Claims Act and under similar or local statutes and regulations, and to take all action as the Lender may reasonably deem necessary or proper to perfect or otherwise protect the security interest and lien created hereby.

5. Power of Attorney.

(a) Each of the Borrowers acknowledges the Lender's right, to the extent permitted by applicable law, singly to execute and file financing or continuation statements and similar notices required by applicable law, and amendments thereto, concerning the Collateral without execution by such Borrower. A carbon, photographic or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(b) Each of the Borrowers hereby irrevocably appoints the Lender as its attorney-in-fact, effective at all times subsequent to the occurrence and during the continuance of an Event of Default (as defined herein), with full authority in the place and stead of each of the Borrowers and in the name of each of the Borrowers or otherwise, to take any action and to execute any instrument which the Lender may reasonably deem necessary or advisable to accomplish the purpose of this Agreement, including, without limitation, the power and right (i)

to endorse each of the Borrowers' name on any checks, notes, acceptances, money orders, drafts, filings or other forms of payment or security that may come into the Lender's possession, (ii) to execute, acknowledge and deliver all such documents and instruments as the Lender determines necessary to confirm the Lender's security interest in and to any patent, trademark or service mark registrations or applications as part of the Collateral hereunder, and (iii) and to do all other things which the Lender then determines to be necessary to carry out the terms of this Agreement. The power conferred on the Lender hereunder is solely to protect the Lender's interests in the Collateral and shall not impose any duty upon the Lender to exercise such power.

6. Securities as Collateral.

(a) Upon the occurrence and during the continuance of an Event of Default, the Lender may at any time, at its option, transfer to itself or any nominee any securities constituting Collateral, receive any income thereon and hold such income as additional Collateral or apply it to the Obligations. If the Lender so elects to exercise its right herein and gives notice of such election to the Borrowers, upon the occurrence and during the continuance of an Event of Default, the Lender may vote any or all of the securities constituting Collateral possessing voting rights (whether or not the same shall have been transferred into its name or the name of its nominee or nominees) and give all consents, waivers and ratifications in respect of the securities constituting Collateral and otherwise act with respect thereto as though it were the outright owner thereof, each of the Borrowers hereby irrevocably constituting and appointing the Lender the proxy and attorney-in-fact of such Borrower, with full power of substitution, to do so. So long as no Event of Default is continuing, the Borrowers shall be entitled to receive all cash dividends paid in respect of the securities, to vote the securities and to give consents, waivers and ratifications in respect of the securities, *provided* that no vote shall be cast, or consent, waiver or ratification given or action taken which would be inconsistent with or violate any provisions of the Credit Agreement, any other Loan Document or this Agreement.

(b) Upon the occurrence and continuation of an Event of Default, any sums paid upon or in respect of any of the securities, upon the liquidation or dissolution of the issuer thereof, shall be paid over to the Lender to be held by it as security for the Obligations; and in case any distribution of capital or property shall be made on or in respect of any of the securities pursuant to the recapitalization or reclassification of the capital of the issuer thereof or pursuant to the reorganization of such issuer, the property so distributed shall be delivered to the Lender to be held by it as security for the Obligations. Upon the occurrence and continuation of an Event of Default, all sums of money paid and property distributed in respect of the securities upon such a liquidation, dissolution, recapitalization or reclassification which are received by any Borrower shall, until paid or delivered to the Lender be held in trust for the Lender as security for the Obligations.

7. Accounts Receivable. Each of the Borrowers shall continue to collect payment from debtors on accounts receivable of such Borrower, obligors on accounts, chattel paper and general intangibles of such Borrower, obligors on instruments for which such Borrower is an obligee and lessees and conditional vendees under agreements governing the leasing or selling by conditional sale of Collateral by such Borrower, until the Lender requests after the occurrence of an Event of Default, that such debtors, obligors, lessees or conditional venders be notified of the Lender's security interest. Upon the making of such a request by the Lender, a Borrower shall hold, as

trustee for the Lender, the proceeds received from such collection and shall turn the same over to the Lender, or to such other bank as may be approved by the Lender, immediately upon receipt of such proceeds and in the identical form received. Each of the Borrowers shall, at the request of the Lender after the occurrence of an Event of Default, notify such account debtors and obligors that payment thereof is to be made directly to the Lender, and, if any of the Borrowers does not promptly so notify such account debtors and obligors, the Lender may itself without further notice to or demand upon such Borrower, so notify such account debtors or obligors. The making of such a request or the giving of any such notification shall not affect the duties of each of the Borrowers described above with respect to proceeds received by any Borrower. The Lender shall apply the proceeds of such collection received by the Lender to the Obligations in accordance with Section 3 of this Agreement. The application of the proceeds of such collection shall be conditional upon final payment in cash or solvent credits of the items giving rise to them. If any item is not so paid, the Lender in its discretion, whether or not such item is returned, may either reverse any credit given for the item or charge it to any deposit account maintained by a Borrower with the Lender.

8. Events of Default; Remedies.

(a) An "Event of Default" hereunder shall mean (i) any Event of Default as that term is defined in the Credit Agreement, whether or not any acceleration of the maturity of the amounts due in respect of any of the Obligations shall have occurred, or (ii) any Event of Default as that term is defined in any other Loan Document.

(b) Upon the occurrence and during the continuance of an Event of Default, to the fullest extent permitted by applicable law and the Loan Documents, in addition to the remedies set forth elsewhere in this Agreement:

(i) The Lender shall have, in addition to all other rights and remedies given it by any instrument or other agreement evidencing, or executed and delivered in connection with, any of the Obligations and otherwise allowed by law, the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Collateral may be located and the rights and remedies of a secured party holding a security interest in collateral pursuant to the ICA, and, without limiting the generality of the foregoing, the Lender may immediately, without (to the fullest extent permitted by law and the Loan Documents) demand of performance or advertisement or notice of intention to sell or of time or place of sale or of redemption or other notice or demand whatsoever, (except that the Lender shall give to each of the Borrowers at least 10 days' notice of the time and place of any proposed sale or other disposition), all of which are hereby expressly waived to the fullest extent permitted by law, sell at public or private sale or otherwise realize upon, in the City of Boston, Massachusetts, or elsewhere, the whole or from time to time any part of the Collateral in or upon which the Lender shall have a security interest or lien hereunder, or any interest which any of the Borrowers may have therein, and after deducting from the proceeds of sale or other disposition of the Collateral all expenses (including all reasonable expenses for legal services and disbursements, including without limitation reasonable allocated costs of staff counsel) as provided in Section 12 hereof, shall apply the residue of such proceeds toward the payment of the Obligations in accordance with Section 3 of this Security Agreement (without duplication for any expenses paid in accordance with the previous sentence hereof), the Borrowers remaining

liable for any deficiency remaining unpaid after such application. If notice of any sale or other disposition is required by law to be given to any of the Borrowers or the Lender each of Borrowers and the Lender hereby agrees that a notice given as hereinbefore provided shall be reasonable notice of such sale or other disposition. Each of the Borrowers also agrees to assemble the Collateral at such place or places as the Lender reasonably shall designate by written notice. At any such sale or other disposition the Lender may itself, and any other person or entity owed any Obligation may itself, purchase the whole or any part of the Collateral sold, free from any right of redemption on the part of any of the Borrowers, which right is hereby waived and released to the fullest extent permitted by law.

(ii) Furthermore, without limiting the generality of any of the rights and remedies conferred upon the Lender under Section 8(b)(i) hereof, the Lender to the fullest extent permitted by law may enter upon the premises of any of the Borrowers, exclude such Borrower therefrom and take immediate possession of the Collateral, either personally or by means of a receiver appointed by a court therefor, using all lawful and necessary force to do so, and may, at its option, use, operate, manage and control the Collateral in any lawful manner and may collect and receive all rents, income, revenue, earnings, issues and profits therefrom, and may maintain, repair, renovate, alter or remove the Collateral as the Lender may determine in its discretion, and any such monies so collected or received by the Lender shall be applied to, or may be accumulated for application upon, the Obligations in accordance with Section 3 of this Agreement.

(iii) The Lender agrees that it will give notice to each of the Borrowers of any enforcement action taken by it pursuant to this Section 8 after commencing such action.

(iv) Each of the Borrowers recognizes that the Lender may be unable to effect a public sale of the securities constituting a portion of the Collateral by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers consistent with all applicable laws. Each of the Borrowers agrees that any such private sales may be at prices and on other terms less favorable to the Borrowers than if sold at public sales and that such private sales shall not by reason thereof be deemed not to have been made in a commercially reasonable manner. The Lender shall be under no obligation to delay a sale of any of the securities for the period of time necessary to permit the issuer of such securities to register such securities for public sale under the Securities Act of 1933, as amended, even if the issuer would agree to do so.

9. Marshalling. The Lender shall not be required to marshal any present or future security for (including but not limited to this Agreement and the Collateral subject to the security interest created hereby), or guaranties of, the Obligations or any of them, or to resort to such security or guaranties in any particular order; and all of its rights hereunder and in respect of such securities and guaranties shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, each of the Borrowers hereby agrees that it will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Lender's rights under this Agreement or under any other instrument evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or guaranteed and, to the extent that it lawfully may, each of the Borrowers hereby irrevocably waives the benefits of all such laws.

Except as otherwise provided by applicable law, the Lender shall have no duty as to the collection or protection of the Collateral or any income thereof, nor as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining thereto beyond the sole custody thereof.

10. Borrowers' Obligations Not Affected. To the extent permitted by law, the obligations of each of the Borrowers under this Security Agreement shall remain in full force and effect without regard to, and shall not be impaired by (a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of any of the Borrowers, to the extent permitted by law; (b) any exercise or nonexercise, or any waiver, by the Lender of any right, remedy, power or privilege under or in respect of any of the Obligations or any security therefor (including this Agreement); (c) any amendment to or modification of this Agreement or any instrument evidencing any of the Obligations or pursuant to which any of them were issued, other than in the specific instance and for the specific purpose for which such amendment or modification was given; (d) any amendment to or modification of any instrument or agreement (other than this Agreement) securing any of the Obligations; or (e) the taking of additional security for or any security or guaranty for any of the Obligations; and whether or not any of the Borrowers shall have notice or knowledge of any of the foregoing.

11. No Waiver. No failure on the part of the Lender to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Lender of any right, remedy or power hereunder preclude any other or future exercise of any other right, remedy or power. Each and every right, remedy and power hereby granted to the Lender or the future holders of any of the Obligations or allowed to any of them by law or other agreement, including, without limitation, the Credit Agreement, the Revolving Notes or any other Loan Document, shall be cumulative and not exclusive of any other, and, subject to the provisions of this Agreement, may be exercised by the Lender or the future holders of any of the Obligations from time to time.

12. Expenses. Each of the Borrowers agrees to pay, on demand, all reasonable costs and expenses (including reasonable attorneys' fees and expenses for legal services of every kind, including without limitation reasonable allocated costs of staff counsel) of the Lender incidental to the sale of, or realization upon, any of the Collateral or in any way relating to the perfection, enforcement or protection of the rights of the Lender hereunder; and the Lender may at any time apply to the payment of all such costs and expenses all monies of any Borrower or other proceeds arising from its possession or disposition of all or any portion of the Collateral.

13. Consents, Amendments, Waivers. Any term of this Agreement may be amended, and the performance or observance by any Borrower of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only in accordance with Section 9.1 of the Credit Agreement.

14. Governing Law. Except as otherwise required by the laws of any jurisdiction in which any Collateral is located, this Agreement shall be deemed to be a contract under seal and shall for all purposes be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without regard to conflicts of law principles.

15. Parties in Interest. All terms of this Agreement shall be binding upon and inure to the benefits of and be enforceable by the respective successors and assigns of the parties hereto, *provided* that no Borrower may assign or transfer its rights hereunder without the prior written consent of the Lender.

16. Counterparts. This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

17. Termination. Upon payment in full of the Revolving Loans and all other amounts then due and payable under the Loan Documents in accordance with their terms and the termination of all Commitments to lend under the Credit Agreement, this Agreement shall terminate and each of the Borrowers shall be entitled to the return, at the Company's expense, of such Collateral in the possession or control of the Lender as has not theretofore been disposed of pursuant to the provisions hereof, and the Lender shall, at such Borrower's expense, execute termination statements or analogous documents as shall be necessary to release the Lender's interest hereunder of record.

18. Notices. Except as otherwise expressly provided herein, all notices and other communications made or required to be given pursuant to this Agreement shall be in writing and shall be delivered by hand, mailed by United States registered or certified first-class mail, postage prepaid, or sent by telecopy, facsimile, telegraph or telex and confirmed by letter, addressed as follows:

(a) if to AGC, KIAMICHI or SEC, at:

7557 Rambler Road, Suite 280
Dallas, TX 75231
Attention: J. Peter Kleifgen, Chief Executive Officer
Fax: (214) 691-2582

With a copy to:

David L. Widener
c/o Onyx Holdings, Inc.
Northwest Bank Tower
2550 Middle Road, Suite 603
Bettendorf, Iowa 52722
Fax: (319) 359-1926

or at such other addresses for notice as such Borrower shall last have furnished in writing to the Lender:

(b) if to the Lender at:

100 Federal Street
Boston, Massachusetts 02110
Attention: Mark R. Fawcett, Vice President
Fax: (617) 434-1955

or at such other address for notice as the Lender shall last have furnished in writing to the person giving the notice.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand to a responsible officer of the party to which it is directed, at time of the receipt thereof by such officer, (ii) if sent by registered or certified first-class mail, postage prepaid, to be received on the earlier of (A) the fifth Business Day following the mailing thereof or (B) the day of receipt thereof if a Business Day, or if not a Business Day, the next succeeding Business Day and (iii) if sent by telecopy, facsimile, telex or telegraph, at the time of dispatch thereof, it in normal business hours in the state where received or otherwise at the opening of business on the following business day.

19. No Impairment of Security Interest. Each of AGC and KIAMICHI acknowledges and agrees that the security instruments executed in connection with the AGC Agreement and the KIAMICHI Agreement, respectively, shall, pursuant to the terms of this Agreement and the Credit Agreement, continue to extend to and secure all of the Obligations under this Agreement and the other Loan Documents, without in any way releasing, impairing, or interrupting the continued perfection and priority of such prior security interests as a result of the transactions contemplated by the Credit Agreement and this Agreement, the other Loan Documents, or any other agreements or instruments executed and delivered by the parties in connection herewith and therewith.

[SIGNATURES APPEAR ON THE FOLLOWING PAGES.]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed as an instrument under seal by their authorized representatives as of the date first written above.

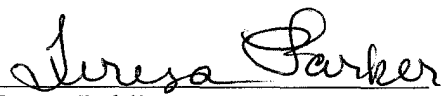
ALABAMA & GULF COAST RAILWAY LLC

By: 
J. Peter Kleifgen
Chief Executive Officer

STATE OF TEXAS)
) SS: Dallas
COUNTY OF DALLAS)

BEFORE ME, a Notary Public in and for said County and State, personally appeared J. Peter Kleifgen, the CEO of Alabama & Gulf Coast Railway LLC, a Delaware limited liability company, who presented evidence of identification to me and acknowledged that he or she did sign the foregoing instrument for and on behalf of said limited liability company and that the same is the free act and deed of said limited liability company and the free act and deed of him or her, individually and as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal this 18th day of October, 1999.


Notary Public
My commission expires: 9/29/2001

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed as an instrument under seal by their authorized representatives as of the date first written above.

KIAMICHI RAILROAD COMPANY L.L.C.

By:



J. Peter Kleifgen

Title: CEO

STATE OF TEXAS)

) SS: Dallas

COUNTY OF DALLAS)

BEFORE ME, a Notary Public in and for said County and State, personally appeared J. Peter Kleifgen, the CEO of Kiamichi Railroad Company L.L.C., a Delaware limited liability company, who presented evidence of identification to me and acknowledged that he or she did sign the foregoing instrument for and on behalf of said limited liability company and that the same is the free act and deed of said limited liability company and the free act and deed of him or her, individually and as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal this 18th day of October, 1999.



Notary Public

My commission expires: 9/29/2001

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed as an instrument under seal by their authorized representatives as of the date first written above.

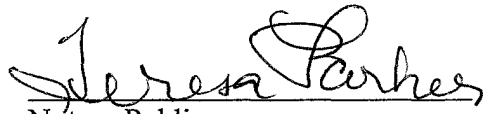
STATESRAIL EQUIPMENT COMPANY LLC

By: 
J. Peter Kleifgen
Title: CEO

STATE OF TEXAS)
) SS: Dallas
COUNTY OF DALLAS)

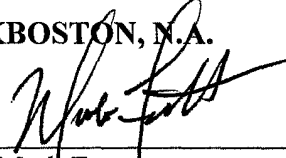
BEFORE ME, a Notary Public in and for said County and State, personally appeared J. Peter Kleifgen, the CEO of StatesRail Equipment Company LLC, a Delaware limited liability company, who presented evidence of identification to me and acknowledged that he or she did sign the foregoing instrument for and on behalf of said limited liability company and that the same is the free act and deed of said limited liability company and the free act and deed of him or her, individually and as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal this 18th day of October, 1999.


Notary Public
My commission expires: 9/29/2001

BANKBOSTON, N.A.

By:


Mark Fawcett
Vice President

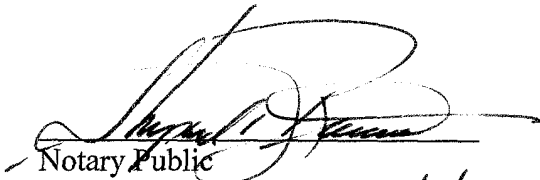
COMMONWEALTH OF MASSACHUSETTS)

) SS: Boston

COUNTY OF SUFFOLK)

BEFORE ME, a Notary Public in and for said County and State, personally appeared Mark Fawcett, the Vice President of BankBoston, N.A., a national banking association, who acknowledged that he or she did sign the foregoing instrument for and on behalf of said limited liability company and that the same is the free act and deed of said limited liability company and the free act and deed of him or her, individually and as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal this 28th day of October, 1999.


Notary Public

My commission expires: 03/18/02

MAR 13 '00

3-23 PM

PARTIAL RELEASE AND TERMINATION
OF
AMENDED AND RESTATED SECURITY AGREEMENT
UNDER RECORDATION NOS. 19657 AND 18503-C
AND OF
SECURITY AGREEMENT UNDER RECORDATION NO. 21523
AND OF
AMENDED AND RESTATED SECURITY AGREEMENT UNDER RECORDATION NO. 21523-A

SURFACE TRANSPORTATION BOARD

THIS PARTIAL RELEASE AND TERMINATION is made as of this 10th day of March, 2000,
by FLEET NATIONAL BANK ("Fleet"), as the successor in interest to BANKBOSTON, N.A. ("BKB").

WHEREAS, The First National Bank of Boston (as predecessor in interest to BKB, as
predecessor in interest to Fleet), as secured party, and Kiamichi Railroad Company, L.L.C. ("Kiamichi"),
as debtor, entered into that certain Amended and Restated Security Agreement dated as of October 3,
1995, recorded on October 6, 1995 with the Interstate Commerce Commission (as predecessor in interest
to the Surface Transportation Board (the "STB")) under Recordation Nos. 19657 and 18503-C; and

WHEREAS, BKB (as predecessor in interest to Fleet), as secured party, and Alabama & Gulf
Coast Railway LLC ("AGC"), as debtor, entered into that certain Security Agreement dated as of, and
recorded on, July 23, 1998 with the STB under Recordation No. 21523; and

WHEREAS, BKB (as predecessor in interest to Fleet), as secured party, and AGC, Kiamichi and
StatesRail Equipment Company LLC, as debtors, entered into that certain Amended and Restated
Security Agreement dated as of, and recorded on, October 21, 1999 with the STB under Recordation No.
21523-A.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which
is acknowledged, Fleet hereby terminates, releases and discharges *solely* its lien on, and security interest
in, the following GP38 locomotives covered by the terms of each of the aforesaid agreements:

Old Mark

KRR 3807

KRR 3808

New Mark


TOR 2004

TOR 2005

THIS PARTIAL RELEASE AND TERMINATION shall not be deemed a release or termination of any of the aforesaid agreements, nor of the interest of Fleet in and to any other railroad equipment covered by the aforesaid documents.

IN WITNESS WHEREOF, the party hereto has executed this Partial Release and Termination as of the day, month and year first hereinabove written.

FLEET NATIONAL BANK

By: 
Name: RICHARD H. HARRISON
Title: CRIM MANAGER

COMMONWEALTH OF MASSACHUSETTS)
) ss:
COUNTY OF SUFFOLK)

On this 10th day of March, 2000 before me personally appeared Richard H. Hawkins, to me personally known, who by me duly sworn, says that he/she is the Group Manager of Fleet National Bank ("Bank"), that the foregoing instrument was signed on behalf of Bank by authority of its Board of Directors, and he/she acknowledged that the execution of the foregoing instrument was the free act and deed of Bank.

In witness whereof, I have hereunto set my hand and official seal.

C. J. Spillane
Notary Public
[SEAL]
My commission expires: 11/27/03